

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2022

Docket No. ACR2022

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-30 OF CHAIRMAN'S INFORMATION REQUEST NO. 7**

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 7, issued on January 27, 2023. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

James L. Tucker.
Chief Counsel, Pricing & Product Support

Eric P. Koetting

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
eric.p.koetting@usps.gov
February 3, 2023

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

1. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

2. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

3. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

4. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

5. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 6.** Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

7. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 8.** Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

9. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

10. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

11. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

12. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

13. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

14. Please see Attachment, filed under seal.

RESPONSE:

Please see the response filed under seal as part of USPS-FY22-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 15.** Please refer to FY 2022 ACR at 17, Table 3, column "Volume (millions)," and compare with FY 2021 ACR at 16, Table 5, column "Volume (millions)."¹
- a. Discuss in detail the drivers behind the shift in mail mix across all USPS Marketing Mail products in FY 2022 and its impact on unit cost and unit revenue for USPS Marketing Mail products.
 - b. Please discuss previously observed trends in migration from USPS Marketing Mail Flats to USPS Marketing Mail High Density products and whether that shift is likely exhausted or might continue to have a meaningful impact on USPS Marketing Mail Flats costs. Please provide any market research or other evidence to support the Postal Service's views.

RESPONSE:

a. The principal driver in the differences in Marketing Mail product levels between FY 2021 and FY 2022 was the 2020 election cycle. The 2020 election generated over 2.1B pieces of Marketing Mail in October 2020, which was the first month of the fiscal year 2021 for the Postal Service. In comparison, the political mail for October FY2022 was only 192 million pieces. The 2020 election cycle surge in Marketing Mail explains most of percent of the volume changes in High Density Flats, Carrier Route and Flats. The two Saturation products, Saturation Letters and Saturation Flats, which together include a very small portion of political mail, were relatively stable between FY 2021 and FY 2022.

¹ Docket No. ACR2021, United States Postal Service FY 2021 *Annual Compliance Report*, December 29, 2021 (FY 2021 ACR).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

	ACR2022	ACR2021	ACR2022	ACR2021				
Product	Volume (million)	Volume (million)	After Political Mail Adjust. Volume (million)	After Political Mail Adjust. Volume (million)	Vol. Change before Adjustment	Vol. Change After Adjustment	ACR2022 ACR2021 Vol. % change	ACR2022 after adj. vs. ACR2021 after adj. vol.% change
HD/SAT Letters	6,045	6,532	6,016	6,157	(487)	(140)	-7.5%	-2.3%
HD Letters	3,702	4,323	3,676	3,967	(621)	(291)	-14.4%	-7.3%
SAT Letters	2,343	2,209	2,341	2,190	134	151	6.1%	6.9%
HD/Sat Flats & Parcels	9,441	9,994	9,409	9,442	(554)	(32)	-5.5%	-0.3%
HD Flats & Parcels	1,877	2,390	1,850	1,866	(512)	(16)	-21.4%	-0.8%
SAT Flats & Parcels	7,563	7,605	7,560	7,576	(42)	(16)	-0.5%	-0.2%
Carrier Route	4,718	5,042	4,682	4,522	(323)	160	-6.4%	3.5%
Marketing Mail Letters	43,682	41,222	43,595	40,640	2,461	2,955	6.0%	7.3%
Marketing Mail Flats	2,694	2,869	2,684	2,781	(176)	(97)	-6.1%	-3.5%
Marketing Mail Parcels	29	36	29	36	(7)	(7)	-18.8%	-18.8%
Every Door Direct Mail Retail	512	542	512	542	(30)	(30)	-5.5%	-5.5%
Total Marketing Mail	67,121	66,236	66,929	64,119	885	2,810	1.3%	4.4%

In the table above, the After Political Mail Adjustment columns reflect the exclusion of the Political Mail volumes in the table below from the total (unadjusted) volumes in the first two columns.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

Political Mail	FY2022	FY2021
High Density Letters	27	356
Saturation Letters	2	19
High Density Flats & Parcels	28	524
Saturation Flats & Parcels	4	29
Carrier Route	36	520
Letters	87	582
Flats	9	88
Total	192	2,117

In addition to the election cycle, the two letter products, High Density Letters (High Density and High Density Plus) and Letters were impacted by customer marketing decisions. In High Density Letters a single large High Density customer reduced volume substantially between FY 2021 and FY 2022. This customer and the election cycle together explain nearly the entirety of the 621-million-piece decline in High Density Letters. Conversely, the Letters product saw significant growth in volume due to large financial services customers, that had significantly reduced volume during COVID, returning to the mailstream.

Political mail tends to be significantly lighter than non-political mail, and the decline in the political mail share of overall Marketing Mail between FY 2021 and FY 2022 contributed to the increase in average revenue per piece in FY 2022.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

	FY2021 overall	Political	FY2021 overall	Political
USPS Marketing Mail:	Rev/Pc Cents	Rev/Pc Cents	Wt/Pc oz	Wt/Pc oz
High Density Letters	17.8	12.4	0.52	0.31
Saturation Letters	16.2	12.3	0.69	0.33
High Density Flats & Parcels	19.6	15.4	2.68	0.57
Saturation Flats & Parcels	17.3	15.4	2.40	0.60
Carrier Route	27.0	22.2	3.22	0.58
Letters	21.8	17.4	0.77	0.38
Flats	43.2	30.0	3.95	0.61

The Postal Service has not analyzed how these changes in the volume profile have affected the unit costs of Marketing Mail Products.

b. The Postal Service does not have market research to draw conclusions regarding the shift of flat-shaped pieces to High Density. Prior to the pandemic, five years of positive growth (double digits in 2 years) in High Density Flats allowed the Postal Service draw general conclusions regarding the impact of comailing. Current data are not conclusive one way or the other.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 16.** Please refer to the Postal Service's discussion of USPS Marketing Mail Carrier Route in the FY 2022 ACR. See FY 2022 ACR at 18-19.
- a. Please discuss in detail the drivers behind the reported 7.0 percent increase in unit cost for USPS Marketing Mail Carrier Route in FY 2022.
 - b. Please describe any factors that may have mitigated cost increases for USPS Marketing Mail Carrier Route in FY 2022.
 - c. Please explain the impact of any prior mitigation efforts on costs for USPS Marketing Mail Carrier Route in FY 2022 and provide quantitative support to the extent available. If no quantitative support is available, then provide qualitative support.
 - d. Please discuss any plans or strategies the Postal Service has for reducing USPS Marketing Mail Carrier Route costs in FY 2023.

RESPONSE:

a. In FY 2022, USPS Marketing Mail Carrier Route unit attributable cost increased by 2.0 cents (7.0 percent) compared to the previous fiscal year. This change was driven by unit cost increases in mail processing by 1.0 cent (12.3 percent), transportation (purchased transportation and VSD) by 0.6 cent (45.0 percent), and delivery by 0.5 cent (2.8 percent).

Despite the aims of the Postal Service to encourage mailers to make up carrier route bundles, the percentage of pieces in Pure Carrier Route bundles decreased to 11.5 percent in FY 2022 from 14.5 percent in the previous fiscal year.² This shift may contribute to higher unit mail processing costs.

In addition to the mail processing increase, the data also demonstrates a slight increase in transportation costs. Accrued and total volume variable highway

² See USPS-FY22-4 and USPS-FY21-4, Marketing Mail Billing Determinants.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

transportation costs increased by \$744 (8.2 percent) and \$854 million (12.0 percent), respectively, in FY 2022. Additionally, the average weight per USPS Marketing Mail Carrier Route piece is 3.5 percent greater in FY 2022 than in the previous fiscal year, which applied upward pressure on transportation unit costs.

Delivery unit costs increases also contributed to the rise in USPS Marketing Mail Carrier Route unit attributable cost. This increase was likely driven by the 2.5 percent increase in carrier wages (\$44.05/hour v. \$42.97/hour), which occurred during the fiscal year.

b. The increase in USPS Marketing Mail Carrier Route unit cost was slightly mitigated by a postmasters' unit cost decrease of 0.1 cent (81.6 percent). This slight decrease was likely the result of the recently approved methodological change relating to postmasters.³ Additionally, an update to the labeling list in late FY 2022 may have mitigated the increase in Carrier Route unit costs during this fiscal year. The impact of this update will be monitored in FY 2023.⁴

c. As a part of the Delivering for American plan, the Postal Service aims to create streamlined flows and 'increase density in containers and trucks and facilitate greater use of ground transportation'.⁵ The results of this effort were demonstrated by a 10.7 percent decrease in estimated pounds of mail flown for USPS Marketing Mail

³ See Docket No. RM2022-8, Proposal Two, Order No. 6280 (September 23, 2022).

⁴ See USPS-FY22-45, Rule 3050.50, FY22 Paragraph (f) Flats Operational Initiatives Report at 5.

⁵ Id. at 3.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

Carrier Route in FY 2022. For comparison, total USPS Marketing Mail Carrier Route pounds as reported in the RPW report declined by 3.5 percent.

d. While inflationary pressure makes long-term nominal reductions in unit costs difficult, the Postal Service regularly reviews product costs and aims to increase efficiencies when feasible. As explained in the Annual Report on Service Performance for Market Dominant Products, the Postal Service is implementing a broader strategy of shape-based processing, whereby products of the same shape are processed together as opposed to being processed separately by class. This initiative is expected to increase consistency and service performance and achieve economies of scale (Report at 27). Moreover, the Postal Service describes national operational changes and initiatives aimed at increasing service and reducing costs for flats in the Rule 3050.50(f) Operational Initiatives Report.⁶

⁶ *Id.*

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

17. Please refer to the Postal Service's discussion of USPS Marketing Mail Parcels in the FY 2022 ACR. See *id.* at 19. Discuss in detail the drivers behind the reported 2.5 percent decrease in unit cost for USPS Marketing Mail Parcels in FY 2022. In the response, please discuss the impact of any prior mitigation efforts to control costs for USPS Marketing Mail Parcels and provide quantitative support to the extent available. If no quantitative support is available, then provide qualitative support.

RESPONSE:

In FY2022, USPS Marketing Mail Parcels unit cost decreased by 5.3 cents (2.5 percent). This decrease was primarily due to decreases in transportation (purchased transportation and VSD) unit cost by 3.8 cents (20.3 percent), and delivery unit cost by 2.5 cents (5.7 percent).

The decrease in transportation unit costs is likely primarily due to a combination of two factors. One, the recently approved methodological change Proposal Six, which introduced TRACS-based highway peak season distribution keys to the transportation cost model.⁷ A slight decrease in transportation unit costs for USPS Marketing Mail Parcels were an expected impact of this proposal.⁸ Two, there was a slight shift in the destination entry profile for this product with a higher percentage of volume being entered closer to the destination. For example, in FY 2022 approximately 18.2 percent of USPS Marketing Mail Parcels was entered at the DDU compared to 13.6 percent in

⁷ See Docket No. RM2022-13, Proposal Six, Order No. 6322 (November 3, 2022).

⁸ *Id.* Petition Proposal Six at 9, (FY 2022 Q1 unit cost \$0.12 vs. \$0.14).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

FY 2021.⁹ As explained in the Annual Report on Service Performance for Market Dominant Products, the Postal Service is implementing a broader strategy of shape-based processing, whereby products of the same shape are processed together as opposed to being processed separately by class. This initiative is expected to increase consistency and service performance and achieve economies of scale (Report at 27). The initiative also aims to increase utilization of ground transportation. In FY 2022, pounds of USPS Marketing Mail Parcels transported by air decreased substantially, which likely mitigated an increase in unit transportation costs. Furthermore, numerous DARs are aimed at reducing parcel costs through increasing optimizing parcel processing and transportation. Descriptions of these initiatives and expected cost savings are described in USPS-FY22-45.¹⁰

⁹ USPS-FY22-4 and USPS-FY21-4.

¹⁰ See USPS-FY22-45, Rule 3050.55, FY22 Paragraph (c-d) Planned and Active Initiatives.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 18.** Please refer to the Postal Service's discussion of USPS Marketing Mail Flats in the FY 2022 ACR. See *id.* at 21-22, 32-38.
- a. Please discuss in detail the drivers behind the reported 0.7 percent increase in unit cost for USPS Marketing Mail Flats in FY 2022.
 - b. Please describe any factors that might have mitigated cost increases for USPS Marketing Mail Flats in FY 2022.
 - c. Please explain the impact of any prior mitigation efforts on costs for USPS Marketing Mail Flats in FY 2022 and provide quantitative support to the extent available. If no quantitative support is available, then provide qualitative support.
 - d. Please discuss any plans or strategies the Postal Service has for reducing USPS Marketing Mail Flats costs in FY 2023.

RESPONSE:

a. In FY 2022, USPS Marketing Mail Flats unit attributable cost increased by 0.5 cents (0.7 percent), which was primarily driven by a 1.3 cent (18.6 percent) increase in transportation (purchased transportation and VSD) unit costs. Highway transportation costs drove the cost increase. There was a small relative increase of 1.1 percent of Origin entered volume in FY 2022 compared to the previous fiscal year, which would be a contributing factor to the higher unit transportation costs.

b. The increased transportation unit costs for USPS Marketing Mail Flats in FY 2022 were partially offset by a 0.5 cent (2.0 percent) decline in delivery unit costs. To a lesser extent, the increase may have been also offset by a decrease in postmasters' unit costs of 0.2 cents.

c. While it is difficult to isolate the impact of specific cost mitigation efforts, the implementation of certain recent initiatives may have applied downward pressure on costs for USPS Marketing Mail Flats. For example, the Bundle Sorter Bin Expansion,

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

Additional Package/Bundler Sorter Machines, and the Full-service Bundle Visibility initiatives, were aimed at reducing USPS Marketing Mail Flats costs.¹¹ Continued efforts related to these initiatives may also have contributed to the slight decrease in delivery unit costs which was described in the response to part b above.

d. While inflationary pressure makes long-term nominal reductions in unit costs difficult, the Postal Service regularly reviews product costs and aims to increase efficiencies when feasible. As explained in the Annual Report on Service Performance for Market Dominant Products, the Postal Service is implementing a broader strategy of shape-based processing, whereby products of the same shape are processed together as opposed to being processed separately by class. This initiative is expected to increase consistency and service performance and achieve economies of scale (Report at 27). Moreover, the Postal Service describes national operational changes and initiatives aimed at increasing service and reducing costs for flats in the Rule 3050.50(f) Operational Initiatives Report.¹²

¹¹ See USPS-FY22-45, Rule 3050.50, FY22 Paragraph (f) Flats Operational Initiatives Report at 6-8.

¹² *Id.*

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

19. Please refer to the table below regarding the revenues, costs, and cost coverages for the Address Management Services product:

Fiscal Year (FY)	Revenue (\$ Millions)	Cost (\$ Millions)	Cost Coverage
FY 2020 ¹³	14.8	5.5	266.86%
FY 2021 ¹⁴	14.7	4.6	318.82%
FY 2022 ¹⁵	27.8	4.7	593.56%

- a. Please confirm the applicable revenue, cost, and cost coverage numbers are correct in the table above. If not confirmed, please provide revised numbers and the reason(s) for and data source(s) underlying the revisions.
- b. For each fiscal year (FY 2020, FY 2021, and FY 2022), please provide the respective revenues, costs, and cost coverages for each Address Management Services service (*i.e.*, subproduct) listed in section 1515.1 of the Mail Classification Schedule.¹⁶

RESPONSE:

- a. Confirmed.
- b. The Address Management Services (AMS) subproduct revenues and costs are presented in the attached workbook associated with this response. The subproducts under the AMS umbrella have joint costs that are caused by the collection of AMS subproducts. These joint costs include expenses for General Management, Supplies and Services, and IT that cannot reliably be attributed to any specific AMS subproduct. As such, these joint costs are treated as product specific costs for AMS when reported in the Cost and Revenue Analysis (CRA) report in accordance with

¹³ Docket No. ACR2020, Library Reference PRC-LR-ACR2020-1, March 29, 2021.

¹⁴ Docket No. ACR2021, Library Reference PRC-LR-ACR2021-1, March 29, 2022.

¹⁵ FY 2022 ACR at 46.

¹⁶ See Mail Classification Schedule, § 1515.1, available at <http://www.prc.gov/mail-classification-schedule>.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

section 1515.1 of the Mail Classification Schedule (MCS). Thus, the AMS costs by subproduct presented in the attached workbook include only the direct costs that can be reliably determined to be caused by each respective subproduct.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 20.** The Postal Service states that “[t]here were no domestic Market Dominant NSAs in effect in FY 2021.” FY 2022 ACR at 47. Please confirm that there were no domestic Market Dominant NSAs in effect in FY 2022. If not confirmed, please provide the correct number of Market Dominant NSAs in effect in FY 2022 and explain further, if necessary.

RESPONSE:

Confirmed.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 21.** In its response to Chairman's Information Request (CHIR) No. 4,¹⁷ the Postal Service explains that reported cost coverage for Philatelic Sales fell below 100 percent due in large part to the inadvertent use of an incorrect Service-Wide Benefit factor in the cost model. *Id.* After correcting for this error, the Postal Service notes Philatelic Sales costs were recalculated using the appropriate Service-Wide Benefit factor, yielding total cost of \$5,930,078, which is well below the \$7,403,865 reported revenue, and results in a cost coverage of 124.85 percent. See *id.*
- a. Please provide all data and calculations required for calculating the total cost for Philatelic Sales, including how the "appropriate" Service-Wide Benefit factor is determined.
 - b. Please provide all data and calculations required for calculating the total revenue for Philatelic Sales.

RESPONSE:

a. The attached workbook named **FY22 Philatelic Sales SFS Handling-CHIR No. 7** that presents the Philatelic Sales cost model. Apart from the corrected Service-Wide Benefit factor displayed on tab **Inputs**, the attached workbook replicates the corresponding one filed in USPS-FY22-28. Service-Wide benefits are expenses incurred by the Postal Service for employee benefits that are not separately reported in the general ledger by employee category. As such, Service-Wide benefits costs are not included in cost segments that include postal labor costs (i.e., cost segments 1-13, 16, 18, and 19). Specifically, Service-Wide Benefits costs encompass the following: 1) repriced annual leave; 2) holiday leave; 3) Civil Service Retirement System (CSRS) current year; 4) workers' compensation current year; 5) unemployment compensation; and 6) Retiree Health Benefits (RHB) current year.

¹⁷ Responses of the United States Postal Service to Questions 1-28 of Chairman's Information Request No. 4, January 20, 2023, question 12 (Response to CHIR No. 4).

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 7

The Service-Wide Benefit factor equals one plus the ratio of service-wide benefits costs to direct labor costs and is uniform across all products. Mechanically, its numerical value can be found in the Non-Operation Specific Piggyback Factors workbook (USPS-FY22-24). Specifically, tab **PS18**, Address Management Services (Row Seq 35) has \$28,533 in Service-Wide benefits costs (sum (G47:L47)) and \$1,059,381 in direct labor costs (column D). As described earlier, the

$$\text{Service – Wide Benefit factor} = 1 + \frac{28,533}{1,059,381} = 1.027 \text{ (cell Q47).}$$

Moreover, as noted earlier, the Service-Wide Benefit factor is uniform across all products, so it is a coincidence that the AMS row in the tab in USPS-FY22-24 was used to demonstrate its numerical value in FY 2022. Nonetheless, AMS is a convenient choice because its piggybacked costs only included direct labor from Headquarters (component 191) and Service-Wide Benefits costs displayed in columns G through L. As such, the Service-Wide Benefit factor can be directly computed by taking one plus the ratio of aggregate Service-Wide benefits costs to direct labor costs. In future ACR filings, the Postal Service plans to separately identify and report the Service-Wide Benefit factor in ACR folder 24.

b. Revenue for Philatelic Sales is found by aggregating two rows in the FY 2022 RPW extract file (workbook FY 2022R_RPWextractfile_ACR filed in USPS-FY22-NP28). Specifically, aggregating revenues from the rows for Philatelic Sales Intl/Cancellation/Royalty Payments (cell D1223) and Philatelic Sales Other (cell D1225)

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

from tab **Rate Category RPW Data**, results in total revenue of \$7,403,865, as reported in Table 25 on page 102 of the FY 2022 ACR report.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 22.** Please refer to Response to CHIR No. 4, question 21. Please provide Excel spreadsheets including Office Name (or other appropriate identifier), Location (City and State), and 5-Digit ZIP Code for the following:
- a. The number of Village Post Offices (VPOs) at the beginning of FY 2022
 - b. The number of VPOs opened in FY 2022
 - c. The number of VPOs closed in FY 2022
 - d. The number of VPOs at the end of FY 2022

RESPONSE:

Please see the spreadsheet filed in association with this response. These data, derived from the Contract Postal Unit Technology System (CPUT), represent the most accurate account currently available of VPOs throughout FY 2022.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 23.** Please refer to Response to CHIR No. 4, question 22. Please provide Excel spreadsheets including Office Name (or other appropriate identifier), Location (City and State), and 5-Digit ZIP Code for the following:
- a. The number of community Post Offices (CPOs) at the beginning of FY 2022
 - b. The number of CPOs opened in FY 2022
 - c. The number of CPOs closed in FY 2022
 - d. The number of CPOs at the end of FY 2022

RESPONSE:

Please see the spreadsheet filed in association with this response. These data, derived from the Contract Postal Unit Technology System (CPUT), represent the most accurate account currently available of CPOs throughout FY 2022.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 24.** Please refer to Response to CHIR No. 4, question 23. Please provide Excel spreadsheets including Office Name (or other appropriate identifier), Location (City and State), and 5-Digit ZIP Code for the following:
- a. The number of contract postal units (CPU) at the beginning of FY 2022
 - b. The number of CPUs opened in FY 2022
 - c. The number of CPUs closed in FY 2022
 - d. The number of CPUs at the end of FY 2022

RESPONSE:

Please see the spreadsheet filed in association with this response. These data, derived from the Contract Postal Unit Technology System (CPUT), represent the most accurate account currently available of CPUs throughout FY 2022.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 25.** Please refer to the FY 2022 numbers listed in the updated table of retail facilities provided in Response to CHIR No. 4, question 24.
- a. The number of stations, branches, and carrier annexes at the end of FY 2022 differs between the FY 2022 ACR (4,865) and Response to CHIR No. 4, question 24 (4,389).¹⁸ Please reconcile this discrepancy and confirm the number of stations, branches, and carrier annexes at the end of FY 2022.
 - b. The table lists the total number of postal-managed facilities as 30,653.¹⁹ However, the number of Post Offices (26,269) plus the number of classified stations, branches, and carrier annexes (4,389) is 30,658. Please confirm the total number of postal-managed facilities in FY 2022. In the response, please confirm the number of Post Offices as well as the number of classified stations, branches, and carrier annexes at the end of FY 2022.

RESPONSE:

a.-b. The response to ChIR No. 4, Question 24, inadvertently excluded carrier annexes from the “Classified Stations & Branches and Carrier Annexes” row; the correct number is 4,865. This, plus the total number of Post Offices at the end of FY 2022, yields a sum of 31,134 for the “Total Postal-Managed” row. These figures are reproduced in the table below, which should be taken to correct and replace the relevant rows of the table referenced by this information request.

Facility Type	FY 2020	FY 2021	FY 2022
Post Offices	26,361	26,361	26,269
Classified Stations & Branches and Carrier Annexes	4,968	4,885	4,865
Total Postal-Managed	31,329	31,246	31,134

¹⁸ Compare FY 2022 ACR at 84, with Response to CHIR No. 4, question 24.

¹⁹ Response to CHIR No. 4, question 24.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 26.** In Docket No. ACR2021, the Postal Service reported that there was a total of 425 suspended Post Offices at the end of FY 2021/beginning of FY 2022.²⁰ By contrast, in Library Reference USPS-FY22-33, the Postal Service reports that there was a total of 431 suspended Post Offices at the beginning of FY 2022.²¹ Please reconcile this discrepancy, confirm the total number of suspended Post Offices at the beginning of FY 2022, and file an updated library reference if necessary.

RESPONSE:

At the beginning of FY 2022, there was a total of 425 suspensions, including 334 Post Offices, 90 stations and branches, and 1 carrier annex. Please see the corrected spreadsheet associated with this response.

The spreadsheet referenced by the Commission ("ChIR No. 11 Q 2.f.xlsx") lists four Post Offices (Jamestown, Moffat, Sumner and Ward), and one station/branch (Conejo Valley), as being suspended at the end of FY 2021. These, however, were subsequently found to have opened before the start of FY 2022; they were therefore omitted from the "PostOfficesFY22" spreadsheet in folder USPS-FY22-33.

Furthermore, one Post Office (Millersburg) was included in the "ChIR No. 11 Q 2.f.xlsx spreadsheet" but was omitted from the "Suspended Start of FY22" tab of the "PostOfficesFY22" spreadsheet in folder USPS-FY22-33; it is now included in the "Suspended Start of FY22" tab of the spreadsheet associated with this response. On

²⁰ Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-21 of Chairman's Information Request No. 11, February 11, 2022, question 2.f.; *id.* file "OneDrive_2022-02-11.zip," folder "Docket No. ACR2021," folder "ChIR 11 Response Attachments," folder "ChIR.11.Resp.Attachments," Excel file "ChIR No. 11 Q 2.f.xlsx," tab "Suspension Summary," cell I17.

²¹ Library Reference USPS-FY22-33, December 29, 2022, file "USPS-FY22-33.zip," folder "USPS-FY22-33," folder "FY22.33.Files," Excel file "PostOfficesFY2022.xlsx," tab "Suspension Summary," cell D17 (FY 2022 Post Offices).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

the other hand, the "ChIR No. 11 Q 2.f.xlsx" spreadsheet omits five Post Offices (Aredale, Etna, Longs, Olpe, and West Paris) which were subsequently found to have been suspended before the start of FY 2022, and which were therefore included in the "Suspended Start of FY22" tabs of the "PostOfficesFY22" spreadsheet in folder USPS-FY22-33 and in the spreadsheet associated with this response.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 27.** In Library Reference USPS-FY22-33, the Postal Service states that there was a total of 375 suspended Post Offices at the end of FY 2022.²² However, Library Reference USPS-FY22-33 lists 381 Post Offices suspended at the end of FY 2022.²³
- a. Please reconcile this discrepancy, confirm the total number of suspended Post Offices at the end of FY 2022, and file an updated library reference if necessary.
 - b. Please confirm that the total number of suspended Post Offices at the end of FY 2022, provided in response to question 27.a., includes the 79 suspended Post Offices remaining from the end of FY 2016. See FY 2022 ACR at 87, 89. If not confirmed, please provide a spreadsheet listing each of the Post Offices that were suspended at the end of FY 2022. This spreadsheet must include the 79 suspended Post Offices remaining from the end of FY 2016, as well as the Post Offices suspended between FY 2017 and FY 2021 that were not subsequently reopened or closed at the end of FY 2021.

RESPONSE:

- a. The correct number is 381. Please see the spreadsheet associated with this response.
- b. Confirmed.

²² FY 2022 Post Offices, tab "Suspension Summary," cell I17.

²³ FY 2022 Post Offices, tab "Suspended End of FY22," cells I2:I4.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 28.** Please refer to Library Reference USPS-FY22-33, Excel file "CollectionBoxesFY2022.xlsx," cells B9 and C9, and Response to CHIR No. 4, question 19, which asked about collection boxes that were removed, relocated, or installed in new locations in FY 2022. Library Reference USPS-FY22-33 indicates that there was an aggregate reduction of 575 collection boxes between FY 2021 (140,062) and FY 2022 (139,487). However, this number does not appear to be consistent with Response to CHIR No. 4, which shows an aggregate reduction of 567 collection boxes between FY 2021 and FY 2022.²⁴
- a. Please reconcile this discrepancy (575 vs. 567) and confirm the aggregate number of collection boxes removed between FY 2021 and FY 2022.
 - b. Please provide the steps for calculating these numbers provided in response to question 28.a. In the response, please explain whether and how the Postal Service includes the 18 relocated collection boxes in its calculation. See Response to CHIR No. 4, question 19.b.

RESPONSE:

a. To the best of the Postal Service's knowledge, an aggregate of 575 collection boxes were removed in FY 2022. The discrepancy noted by the Commission arose due to differences between two distinct data sets: one derived from the collection schedules of blue collection boxes at the beginning and the end of the FY, and one reflecting inputs from the field as to the creation, removal and editing of blue collection boxes (among other collection locations). The latter data set—i.e., that containing field inputs—yielded the figures submitted in response to ChIR No. 4, question 19. However, as the collection schedules of blue collection boxes at the beginning and the end of the FY are monitored continuously, data sets derived from such schedules should be

²⁴ 140,062 collection boxes at the end of FY 2021 minus 655 collection boxes removed in FY 2022 plus 88 collection boxes added to new locations equals 139,495, an aggregate reduction of 567 collection boxes.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

viewed as the most reliable source. That data set indicates an aggregate reduction of 575 boxes.

The Postal Service is in communication with the developers of these data sets in an attempt to identify and resolve all discrepancies. Should the discrepancies be resolved differently from what is indicated above, the Postal Service will submit a supplementary response to this question.

b. The aggregate reduction in collection boxes between the end of FY 2021 and the beginning of FY 2022, as reported by CPMS, equals the aggregate total of collection box removals provided above, i.e., 575. Relocations are not included in this total.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

29. The Postal Service states that “some of the economic impacts of the pandemic continue to challenge the Postal Service’s ability to hire part-time workers due to the national labor shortage, especially in markets with high costs of living, and to secure highway contract routes.” FY 2022 ACR at 54-55.
- a. Please describe in detail the impacts that the national labor shortage had on the Postal Service’s ability to hire part-time workers in FY 2022. For each impact identified, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
 - b. Please identify the methods used by the Postal Service to ameliorate the effects the national labor shortage had on the Postal Service’s ability to hire part-time workers and identify the impact of each method in FY 2022. For each impact identified, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
 - c. The Postal Service also states that it pursued “improvements to the Postal Service’s transportation network to promote service reliability, cost savings, and operational efficiencies by reducing the Postal Service’s dependence on more expensive air transportation in favor of less expensive and more reliable surface transportation. To enable these transportation improvements, at the beginning of FY 2022 the Postal Service implemented new service standards for certain First-Class Mail and Periodicals.”²⁵
 - i. Please identify how the Postal Service’s decreased ability to secure highway contract routes, discussed above, has impacted the Postal Service’s intended increase of mail volume transported by truck in FY 2022. For each impact identified, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
 - ii. Please describe in detail how the Postal Service attempted to ameliorate its inability to secure highway contract routes in light of

²⁵ *Id.* at 49. Moreover, the Postal Service has previously stated that surface transportation is more reliable than air transportation and has stated its intention to therefore increase the volume of mail transported by truck. See, e.g., Docket No. N2021-1, Direct Testimony of Robert Cintron on Behalf of the United States Postal Service (USPS-T-1), April 21, 2021, at 2.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

the economic impacts of the pandemic and identify the impact of each method in FY 2022. For each impact identified, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.

RESPONSE:

a-b. The Postal Service determines functional staffing based on operational modeling and contractual career and non-career obligations. Maintaining the authorized career workforce, replacing attrition, and providing flexibility through part-time (pre-career) workforce requires a continuous hiring process. The Postal Service has been successful at implementing the Delivering for America (DFA) plan of stabilizing and maintaining the career workforce. For the pre-career workforce, staffing levels were able to be maintained in most areas of the country. However, the Postal Service has experienced local staffing shortages in some offices where the labor market for temporary workers were impacted by factors such as low unemployment, high cost of living, and low labor force participation. The Postal Service has also worked collaboratively with the National Association of Letter Carriers (NALC) and identified "pockets" of hard to hire in 237 locations. These were identified in both larger urban areas, as well as smaller more rural locations.

In order to mitigate staffing shortages and support the DFA 10-Year plan, the Postal Service continued to stabilize the career workforce. Through the collective bargaining process, the Postal Service negotiated a provision that

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

provides a path to career employment for all pre-career employees who remain in our employ for 24 months. The current agreements allow pre-career employees, who stay employed with the Postal Service for two years, to be automatically converted to career status; in FY 2022, the Postal Service converted more than 48,000 employees to career positions.

As noted above, the Postal Service has worked collaboratively with NALC and identified “pockets” of hard to hire in 237 locations. These were identified in both larger urban areas, as well as smaller more rural locations. Identifying these locations resulted in negotiated joint Memoranda of Understanding (MOUs) and has allowed for external hire to career positions. These MOUs have led to the external hiring of more than 3,500 new employees directly to career delivery positions.

In FY 2022, the Postal Service increased its efforts to hire. As part of its recruitment efforts, the Postal Service lists positions on USPS.com Careers, advertises career and pre-career positions at job fairs, and advertises multiple position openings on job boards, social media platforms, and banners hanging from postal facilities. In addition, the Postal Service advertises at gas pumps as well as community and military fairs. In FY 2022, the Postal Service conducted 5,774 job fairs.

- c.i. The driver shortage impacting the trucking market early in FY 2022 did not have a significant impact on the volume shifting from air to surface transportation. Air volume was reduced by approximately 50 percent in FY 2022 and primarily

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

focused on shifting air volume on to existing surface transportation. Please see also the Excel spreadsheet associated with this response that is filed under seal in USPS-FY22-NP37 and that shows monthly air/surfaces splits.

- c.ii. The Postal Service was able to secure contracted surface transportation, although the rates at the beginning of FY 2022 were higher due to demand in the market. Freight Auction was used to backfill omitted service and supplement in cases where suppliers required additional time to acquire assets or staffing needed to support new or modified contracts. Freight Auction is a capability which enables the Postal Service to digitally solicit, review, select, and implement *ad hoc* transportation demands (extra trips) from existing Highway Contract Routes suppliers.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

- 30.** In Docket No. N2021-1, the Postal Service proposed to revise the service standards for First-Class Mail and end-to-end Periodicals.²⁶
- a. Please describe in detail the impact that the service standard changes proposed in Docket No. N2021-1 had on the FY 2022 service performance scores for First-Class Mail. For each impact identified, please provide quantitative support and identify the metric(s) used. If quantitative support is unavailable for an identified impact, please so state, explain why it is unavailable, and provide qualitative analysis in support of the identified impact.
 - b. Please identify the service performance scores for First-Class Mail when calculated using the service standards in place prior to the changes made as a result of Docket No. N2021-1. Please also describe the data and methodology used to calculate these scores.
 - c. Has the Postal Service conducted any investigation to determine how much of the increase in service performance from FY 2021 to FY 2022 can be attributed to the service standard changes proposed in Docket No. N2021-1?
 - i. If so, please describe in detail the status and current results of this investigation.
 - ii. If not, why has the Postal Service not conducted such an investigation?

RESPONSE:

- a. First-Class Mail service performance results for FY 2022 showed substantial improvement in on-time performance, against target, year-over-year, and quarter-over-quarter. Please see the Postal Service's Annual Compliance Report at pages 51-54; see also USPS-FY22-29, spreadsheet 'FY22 ACR First Class Mail.xlsx'. Implementing the service standard changes proposed in Docket No. N2021-1 undoubtedly contributed to that improvement; however, that

²⁶ See United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services, April 21, 2021.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 7**

initiative was not implemented in a vacuum, and other factors also contributed to the improved First-Class Mail service performance in FY 2022. These included the operational network changes that were intertwined with the service standard changes; the latter helped facilitate the former. The Postal Service is unable to isolate and quantify what portion of the service performance improvement is attributable to any particular factor or initiative.

- b. Given the network changes made in conjunction with the service standard changes, the piece-level data necessary to properly perform the calculations requested do not exist. The methodology to calculate service performance scores for a given set of service standards requires piece-level service performance data, which are only retained for a short period.
- c. No.
 - i. Not applicable.
 - ii. Please see response to subpart a, above; in light of the inability to isolate what portion of the service performance improvement is attributable to any particular factor or initiative, an investigation of such attribution would not yield reliable and useful information.